

**AUDIT REPORT OF
MASON COUNTY SHERIFF**

Calendar Year 2005

**Donna Bouvier
Certified Public Accountant**

**Member: American Institute of Certified Public Accountants
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MASON COUNTY SHERIFF

**For The Year Ended
December 31, 2005**

I have completed the Mason County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

Financial Condition:

Excess fees decreased by \$2,620 from the prior calendar year, resulting in excess fees of \$39,367 as of December 31, 2005. Revenues increased by \$50,110 from the prior year and expenditures increased by \$52,730.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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**Donna Bouvier
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The Honorable James Gallenstein, Mason County Judge/Executive
Honorable Tony Wenz, Mason County Sheriff
Members of the Mason County Fiscal Court

Independent Auditor's Report

I have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Mason County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the County Sheriff. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statement referred to above presents fairly in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2005, in conformity with the regulatory basis of accounting.

In accordance with *Government Auditing Standards*, I have issued a report dated June 23, 2006, on my consideration of the County Sheriff's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Honorable James Gallenstein, Mason County Judge/Executive
Honorable Tony Wenz, Mason County Sheriff
Members of the Mason County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Mason County, Kentucky and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

Donna Bouvier

Donna Bouvier
Certified Public Accountant

June 23, 2006

MASON COUNTY
 TONY WENZ, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES –
REGULATORY BASIS
 For The Year Ended December 31, 2005

Revenue

State:

Kentucky Law Enforcement Foundation Fund	\$	30,578
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State Fees For Services

Finance and Administration Cabinet	\$	30,118
Cabinet for Human Resources		2,049
House Bill 413		2,916
Bank Shares		4,996
		40,079

Fiscal Court	180
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Circuit Court Clerk - Fines and Fees	1,357
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County Clerk - Delinquent Taxes	405
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Commission On Taxes Collected	351,388
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Other Fees on Tax Collections:

Sheriff's Penalty On Taxes	22,697	
Advertising Fees	658	23,355

Fees Collected For Services:

Auto Inspections	12,530	
Accident and Police Reports	715	
Serving Papers	15,921	
Carrying Concealed Deadly Weapons Permits	3,435	32,601

Other:

Fiscal Court Fee-Process Service	7,270	
Jury Meals	444	
Executions	12,007	
Arrest Fees-Other Counties	228	
Miscellaneous	256	20,205

Interest Earned	815
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Borrowed Money - State Advancements	225,000

Total Revenues	\$ 725,963

The accompanying notes are an integral part of the financial statement.

MASON COUNTY
 TONY WENZ, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES-REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures

Personnel Services-

Deputies' Salaries	\$	264,660
Clerical Salaries		45,673
KLEFPF Salaries		21,054

Employee Benefits-

Employer's Share Hazardous Duty Retirement		5,321
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Contracted Services-

Advertising		1,521
Communications		2,785

Materials and Supplies-

Office Materials and Supplies		5,362
Uniforms		538

Auto Expense-

Gasoline		1,380
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Other Charges-

Conventions and Travel		3,380
Dues		643
Fugitive Return		8,046
Postage		4,667
Fiscal Court Fee-Process Fee		7,270
Jury Expense		372
Bonds		1,856
Carrying Concealed Deadly Weapons Permits		2,380
Execution Disbursements		11,498

\$ 388,406

Capital Outlay:

Office Equipment		2,925
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Debt Service:

State Advancement		225,000
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Total Expenditures

\$ 616,331

The accompanying notes are an integral part of the financial statement.

MASON COUNTY
 TONY WENZ, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES-REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Net Revenues		\$	109,632
Less: Statutory Maximum	\$	67,071	
Incentive Training (HB 810)		<u>3,194</u>	<u>70,265</u>
Excess Fees Due County for 2005			39,367
Payments to County Treasurer- February 16, 2006.			<u>39,367</u>
Balance Due at Completion of Audit		\$	<u><u>-</u></u>

The accompanying notes are an integral part of the financial statement.

NOTES TO FINANCIAL STATEMENT

MASON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1: Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 64.152 requires the County Sheriff to settle excess fees with the fiscal court when the final settlement is presented to fiscal court.

The financial statement has been prepared on regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods and services provided in 2005

The measurement focus of fee officials is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2: Employees Retirement System

The county officials and employees have elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a cost-sharing, multiple-employer defined benefit pensions plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent for the first six months and 25.01 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 3: Deposits

The Sheriff maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480 (1) (d). According to KRS 41.240 (4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met.

Custodial credit risk is the risk that in the event of a depository institution's failure, the Sheriff's deposits may not be returned to him. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4: Forfeiture Fund

The Mason County Sheriff maintained an account for the purpose of receiving assets forfeited to the Commonwealth as a result of legal proceedings. Expenditures from this account are to be for direct law enforcement. This account had a beginning balance of \$354 and an ending balance of \$344.

Note 5: Project Lifesaver Fund

During the calendar year, the Sheriff received funding for Project Lifesaver. The account had receipts of \$7,020 and disbursements of \$6,719 leaving an ending balance of \$301 as of December 31, 2005.

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Donna Bouvier
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The Honorable James Gallenstein, Mason County Judge/Executive
Honorable Tony Wenz, Mason County Sheriff
Members of the Mason County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit of Financial Statements
Performed In Accordance With Government Auditing Standards**

I have audited the statement of revenues, expenditures, and excess fees – regulatory basis of the Mason County Sheriff for the year ended December 31, 2005, and have issued my report thereon dated June 23, 2006. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Mason County Sheriff's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mason County Sheriff's financial statement for the year ended December 31, 2005, is free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An
Audit of Financial Statements Performed In Accordance
With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Donna Bouvier

Donna Bouvier
Certified Public Accountant

June 23, 2006